

DATE: July 31, 2002

TO: Tony Usibelli, Energy Division Director
Washington State Office of Trade and Economic Development

David Danner, Energy Policy Advisor
Governor's Executive Policy Office

FROM: Jim Davis, Commissioner
Douglas County Public Utility District
Member - State Energy Strategy Advisory Committee

SUBJECT: Comments on Energy Strategy from Washington PUD Association

On behalf of Washington's Public Utility Districts, thank you for the opportunity to submit comments and suggestions.

As was mentioned to the group at its first meeting, I had the privilege of representing PUDs on both the 1992 State Energy Strategy Committee and the Northwest Regional Review Steering Committee, which ended its work in 1996. Because of those experiences, which lasted for over a year—the predecessor Energy Strategy effort took over 18 intense months--I am concerned that this committee may have more work than time.

Recent and on going events in Congress and FERC as well as in the region are creating an interesting environment for this committee's work. We understand and commend the fact that the administration is attempting to do this within existing resources. However, we are concerned that the advisory committee may be set-up for failure unless it approaches this effort in a way that accounts for these events and reacts to them in a way consistent with Northwest values of local control.

With that as kind of a prefacing statement, here are our comments. We look forward to working with the committee and staff on our state energy strategy.

Guiding Principles:

1. No changes.
2. No changes.
3. After "sound" insert "peer reviewed".
4. Before strike "Foster" and insert "Protect Washington's and Northwest values while fostering..."
5. The ultimate consumer benefit is low-cost energy. Therefore WPUDA suggests the following language for this guiding principle: "Advance consumer interests – promote and implement policies that focus on end-use customer benefits – including fair competition and consumer choices – along with clear, fair rules and laws to accomplish our objectives."
6. No changes.

Assumptions:

We agree with the assumptions as they stand, and propose the following addition:

I'm not sure how to do it, but the strategy will have to be written with the following in mind. The big-picture policy world is likely to change in the course of the drafting of this energy strategy. Not only are there two diverse energy bills in conference in the Congress, FERC has submitted their thoughts on Standard Market Design and regional transmission. This is both a short term and long term issue and we will have to be fairly omniscient to draft a long-term strategy in this environment.

Short Term Issues:

In order for consumers to benefit from our endeavors, they must be offered choices. That is why not-for-profit utilities such as public utility districts should be authorized by the legislature to be key players and providers of all utility services. It has been proven over time that the competition between investor-owned and consumer-owned utilities has benefited the citizens of our state. For example, an unresolved issue in the 1992 energy strategy was authorization for PUDs to provide natural gas.

The impacts of higher wholesale electricity rates on retail consumers as well as utility investments in new generation, infrastructure, and conservation, need to be addressed or somehow recognized in the report.

Long Term Issues –

Incentives for new technologies such as distributed generation, energy web, and other smart systems need to be discussed and agreed to.

Make sure such incentives are “technology blind” to allow for the greatest innovation.

These are a few short thoughts regarding the strategy. I hope that my focus on my wheat harvest hasn't dimmed my thinking, but I respectfully request the right to reserve and extend my remarks.